COLONY
FAMILY OFFICES

Market Backdrop and Investment Outlook

May 2022

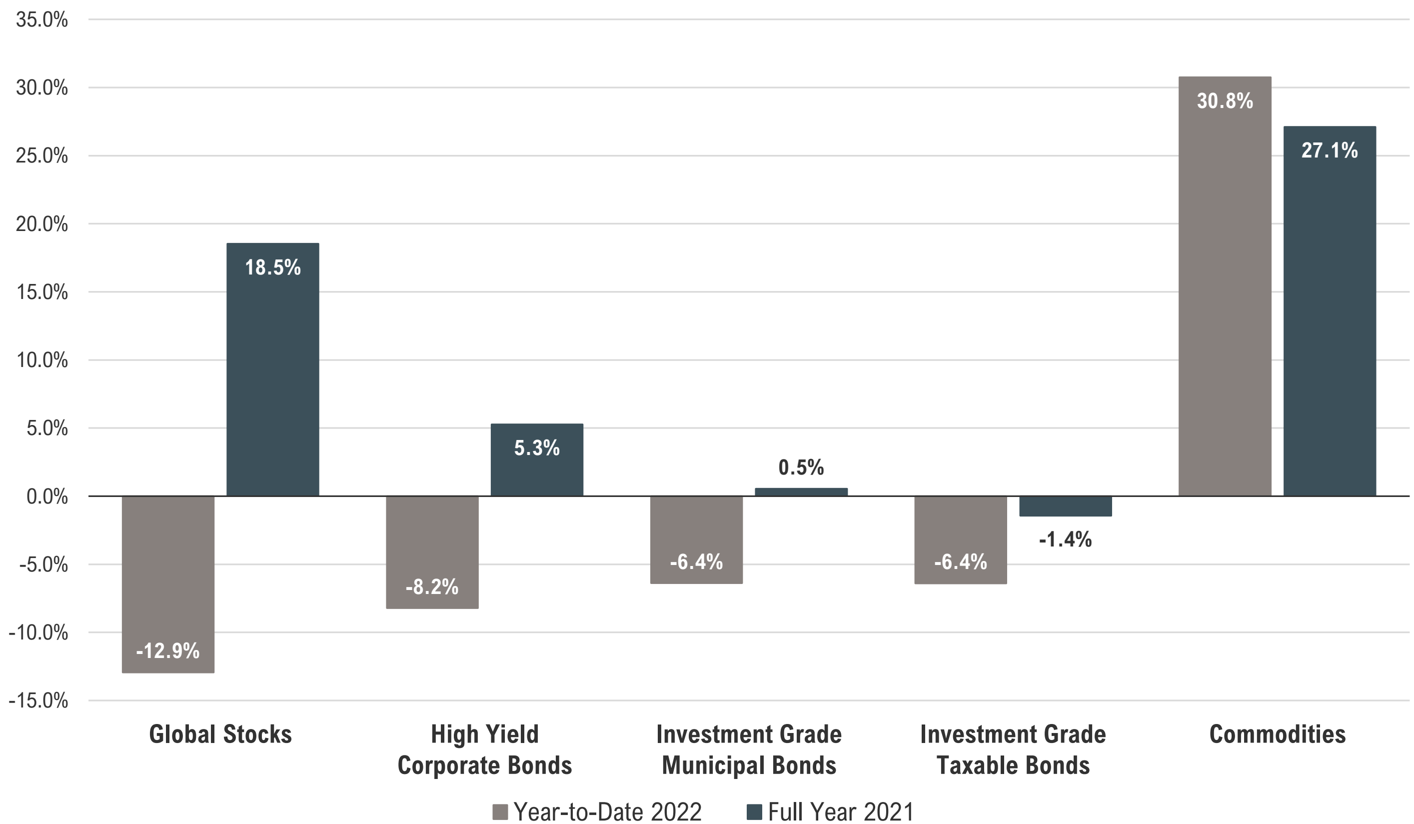
Market Backdrop
Global Market Summary

- Aggressive monetary and fiscal stimulus followed the COVID-19 economic shutdown/recession
  - Policy makers reacted on a greater scale and more rapidly than they did during the global financial crisis
- The economic rebound was stronger than anticipated—but growth and policy support have peaked
- Supply and demand imbalances related to the pandemic and economic reopening have continued to contribute to elevated levels of inflation
  - Russia's war with Ukraine is a "stagflationary" supply shock, propelling commodity prices even higher while negatively impacting growth
- Global central banks have pivoted away from supporting growth and toward monetary tightening
  - So far, 20 central banks have raised interest rates to combat inflation, including the US Fed that will also likely begin to reduce the size of its balance sheet this year
- After posting strong gains over the last couple of years, asset prices have stumbled thus far in 2022 as financial markets digest higher inflation, rising interest rates, and geopolitical uncertainty
  - Both stocks and bonds have experienced broad declines while asset categories that benefit from higher inflation, such as commodities, have generated gains

Note: Opinions above based on research as of April 2022. Please see our disclosures at the end of this document.

Market Backdrop
Broad Asset Category Performance

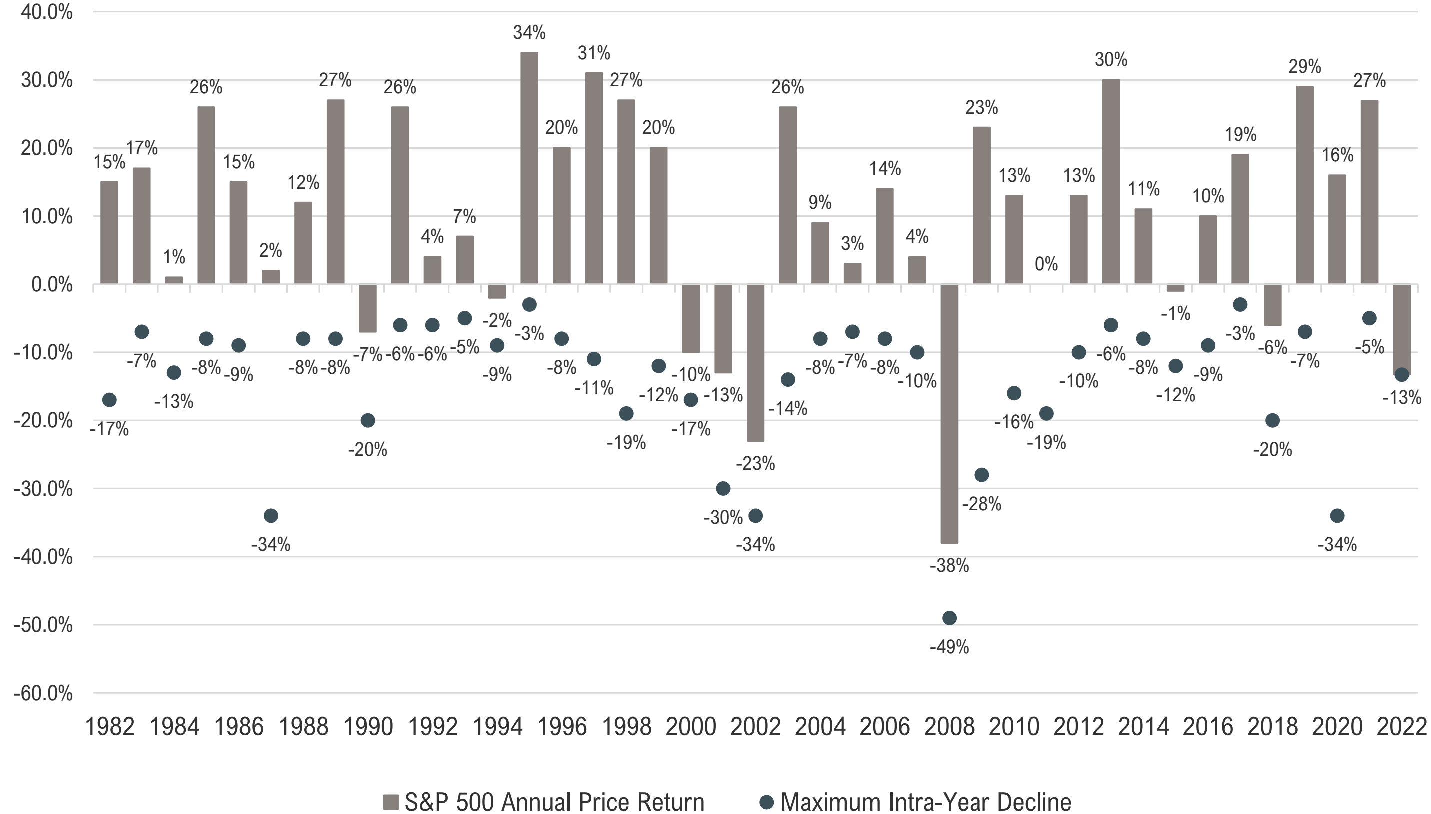
- High and rising inflation expectations proved challenging for almost all major asset categories thus far in 2022 as bonds suffered significant losses as projections for Fed rate hikes rose
  - The chart below illustrates broad asset category performance defined by market benchmarks



Note: Performance data as of April 30, 2022. Benchmark data obtained from Addepar. Past performance is not indicative of future results. Global stocks (MSCI All Country World Index), high yield corporate bonds (Barclays US Corporate High Yield Index), commodities (Bloomberg Commodity Index), investment grade municipal bonds (Barclays 1-10 Year Municipal Bond Index Index), and investment grade taxable bonds (Barclays Intermediate US Government/Credit Index).

Market Backdrop
Equity Market Intra-Year Declines

- Historically, so-called equity market "corrections" or declines of 5-10% or more have occurred frequently, even in years with positive equity returns
  - The chart below illustrates the S&P 500 annual price returns and intra-year price declines over time



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management as of April 30, 2022. Past performance is not indicative of future results. Returns are based on price index only and do not include dividends. Intra-year declines refers to the largest market declines from a peak to a trough during the year.

Market Backdrop
Periodic Table of Returns

- Most asset categories have experienced losses thus far in 2022, except for real assets, including commodities and energy-related investments, that benefit from higher inflation
  - The table below illustrates annual returns for various asset classes ranked in order of performance

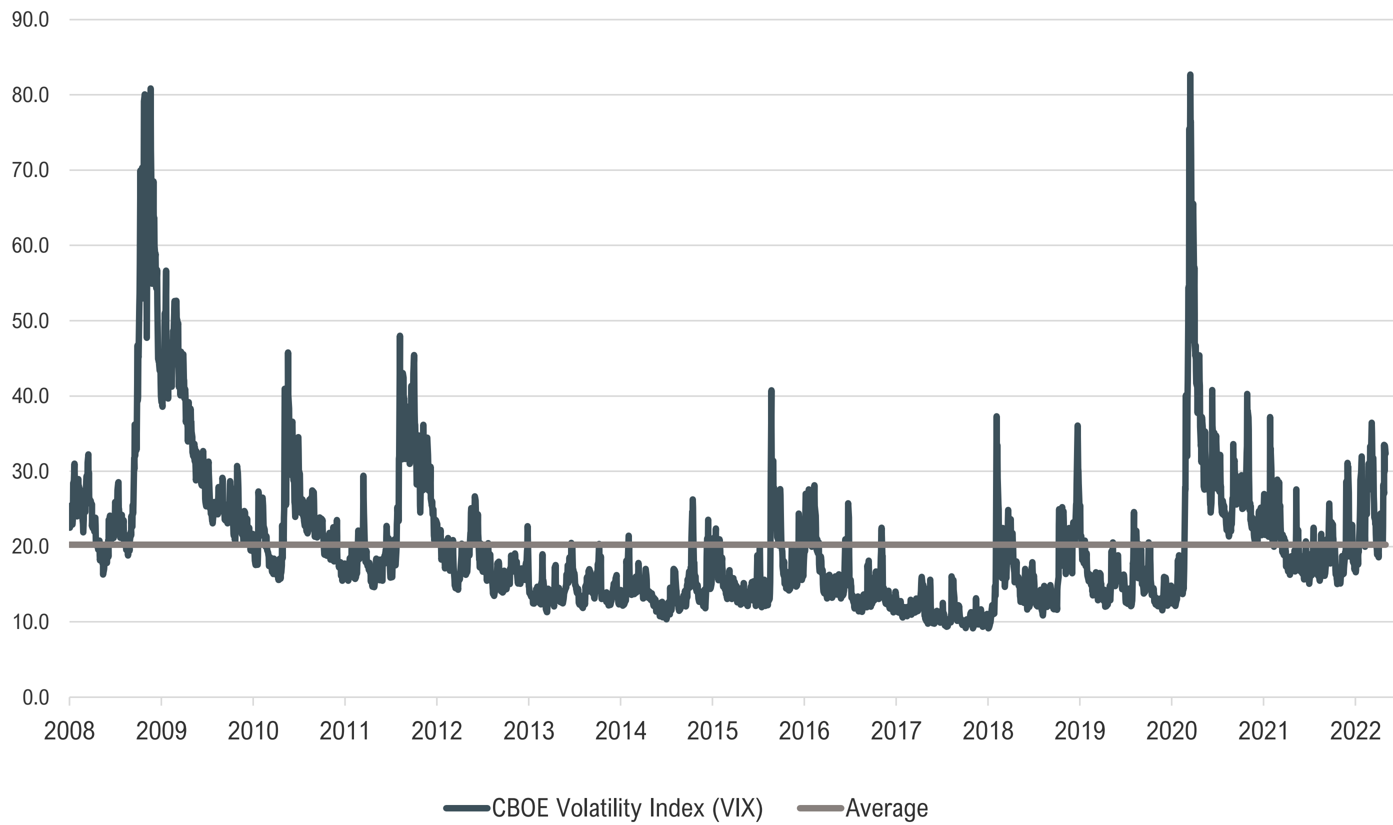
2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Energy MLPs 13.9%	REITs 20.1%	US Large Cap 32.4%	REITs 27.2%	Private Equity 5.7%	Energy MLPs 18.3%	Emerging Markets Equity 37.3%	Private Equity 10.7%	US Large Cap 31.5%	Private Equity 27.2%	Energy MLPs 40.2%	Commodities 30.8%
Private Equity 11.3%	Emerging Markets Equity 18.2%	Energy MLPs 27.6%	US Large Cap 13.7%	Municipal Bonds 2.5%	Private Equity 13.3%	International Equity 25.0%	Cash 1.9%	REITs 28.1%	US Large Cap 18.4%	REITs 39.9%	Energy MLPs 18.7%
Municipal Bonds 7.6%	International Equity 17.3%	International Equity 22.8%	Private Equity 11.1%	REITs 2.3%	US Large Cap 12.0%	US Large Cap 21.8%	Municipal Bonds 1.6%	International Equity 22.0%	Emerging Markets Equity 18.3%	Private Equity 33.1%	Bank Loans 0.1%
REITs 7.3%	US Large Cap 16.0%	Private Equity 21.3%	Energy MLPs 4.8%	US Large Cap 1.4%	Commodities 11.8%	Private Equity 18.7%	Bank Loans 0.4%	Emerging Markets Equity 18.4%	International Equity 7.8%	US Large Cap 28.7%	Cash 0.1%
US Large Cap 2.1%	Private Equity 14.2%	Hedge Funds 6.7%	Municipal Bonds 4.7%	Cash 0.1%	Emerging Markets Equity 11.2%	REITs 9.3%	US Large Cap -4.4%	Private Equity 14.0%	Hedge Funds 6.8%	Commodities 27.1%	Private Equity N/A
Bank Loans 1.5%	Bank Loans 9.7%	Bank Loans 5.3%	Bank Loans 1.6%	Bank Loans -0.7%	Bank Loans 10.2%	Hedge Funds 6.0%	REITs -4.4%	Bank Loans 8.6%	Municipal Bonds 4.2%	International Equity 11.3%	Hedge Funds -2.2%
Cash 0.1%	Energy MLPs 4.8%	REITs 3.2%	Cash 0.0%	International Equity -0.8%	REITs 9.3%	Bank Loans 4.1%	Hedge Funds -6.7%	Hedge Funds 8.6%	Bank Loans 3.1%	Bank Loans 5.2%	Municipal Bonds -6.4%
Hedge Funds -8.9%	Municipal Bonds 3.6%	Cash 0.1%	Hedge Funds -0.6%	Hedge Funds -3.6%	Hedge Funds 2.5%	Municipal Bonds 3.5%	Commodities -11.3%	Commodities 7.7%	Cash 0.7%	Hedge Funds 3.7%	REITs -9.1%
International Equity -12.1%	Hedge Funds 3.5%	Municipal Bonds -0.3%	Emerging Markets Equity -2.2%	Emerging Markets Equity -14.9%	International Equity 1.0%	Commodities 1.7%	Energy MLPs -12.4%	Energy MLPs 6.6%	Commodities -3.1%	Municipal Bonds 0.5%	International Equity -12.0%
Commodities -13.3%	Cash 0.1%	Emerging Markets Equity -2.6%	International Equity -4.9%	Commodities -24.7%	Cash 0.3%	Cash 0.9%	International Equity -13.8%	Municipal Bonds 5.6%	REITs -5.9%	Cash 0.1%	Emerging Markets Equity -12.2%
Emerging Markets Equity -18.4%	Commodities -1.1%	Commodities -9.5%	Commodities -17.0%	Energy MLPs -32.6%	Municipal Bonds -0.1%	Energy MLPs -6.5%	Emerging Markets Equity -14.6%	Cash 2.3%	Energy MLPs -28.7%	Emerging Markets Equity -2.5%	US Large Cap -12.9%

**Private Equity data is final as of September 30, 2021.*

Note: Performance data as of April 30, 2022. Benchmark data obtained from Addepar. Past performance is not indicative of future results. US Large Cap (S&P 500 Index), International Equity (MSCI EAFE Index), Emerging Markets Equity (MSCI Emerging Markets Index), REITs (FTSE Nareit All REITs Index), Bank Loans (S&P/LSTA US Leveraged Loan Index), Municipal Bonds (Barclays 1-10 Year Municipal Bond Index, Energy MLPs (Alerian MLP Index), Commodities (Bloomberg Commodity Index), Hedge Funds (HFRX Global Index), Private Equity (Cambridge Private Equity Index) and Cash (BofA Merrill Lynch US 3-Month Treasury Bill).

Market Backdrop
Equity Market Volatility

- After a relatively calm 2021, higher volatility resurfaced across almost all asset markets thus far in 2022 as over 85% of days have seen the S&P 500 trade in at least a 1% daily range
  - The chart below plots the CBOE Volatility Index, a gauge of equity market uncertainty



Source: Federal Reserve Bank of St. Louis, Economic Research Division as of April 30, 2022. The CBOE Volatility Index (VIX) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

Market Backdrop
Interest Rate Environment

- After reaching all-time lows in 2020, treasury bond yields have increased with short-term rates rising sharply over the past several months as investors anticipate tightening monetary policy
  - The chart below plots both the 1-Year and 10-year US Treasury Yield

Source: Federal Reserve Bank of St. Louis, Economic Research Division as of April 30, 2022.

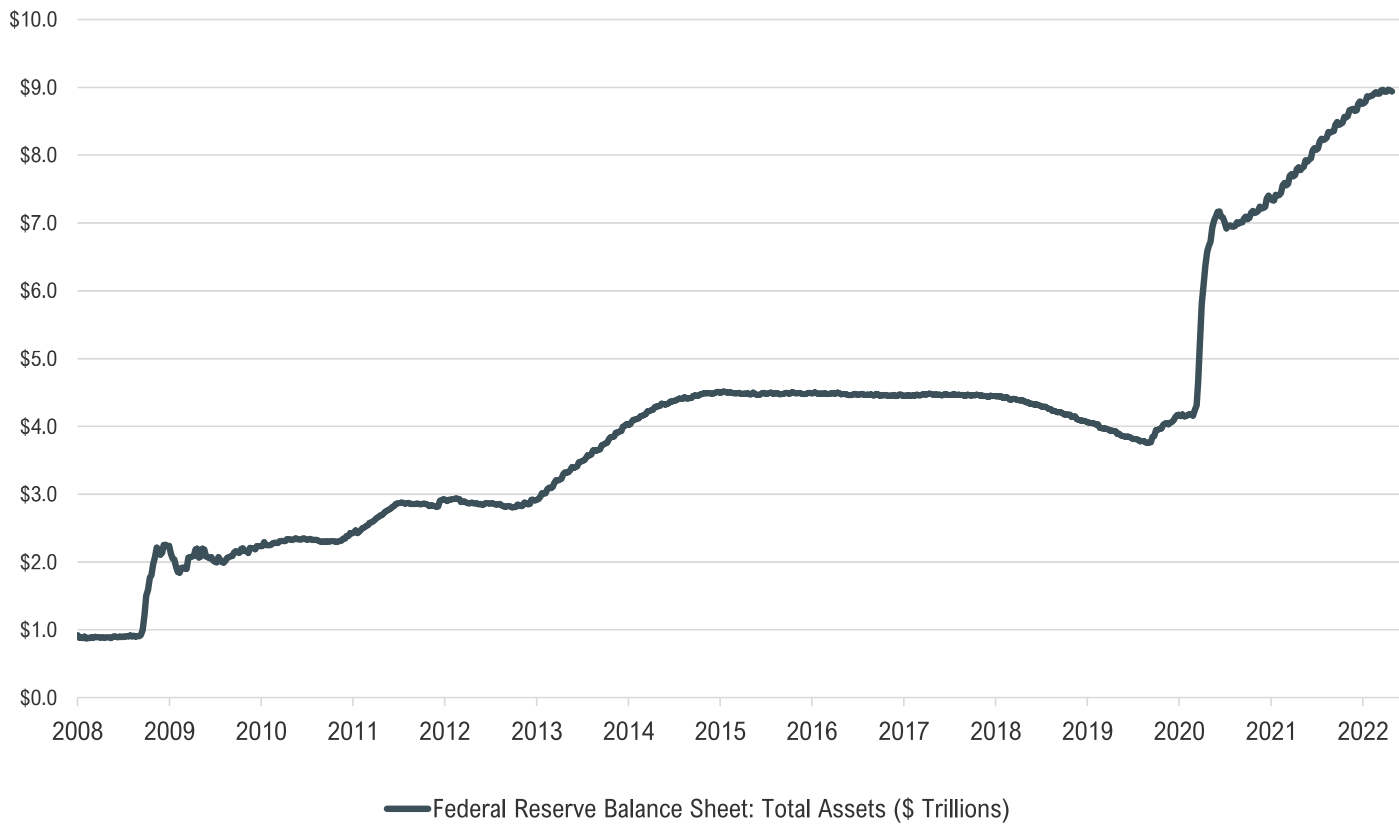
Market Backdrop
High Yield Credit Spreads

- Financial conditions have tightened in 2022 due to higher interest rates, stock market declines, and a stronger US dollar, but credit spreads remain below their historical averages
  - The chart below plots the BofA US High Yield Index spread (relative to treasuries)

Source: Federal Reserve Bank of St. Louis, Economic Research Division as of April 30, 2022.

Market Backdrop
Monetary Policy

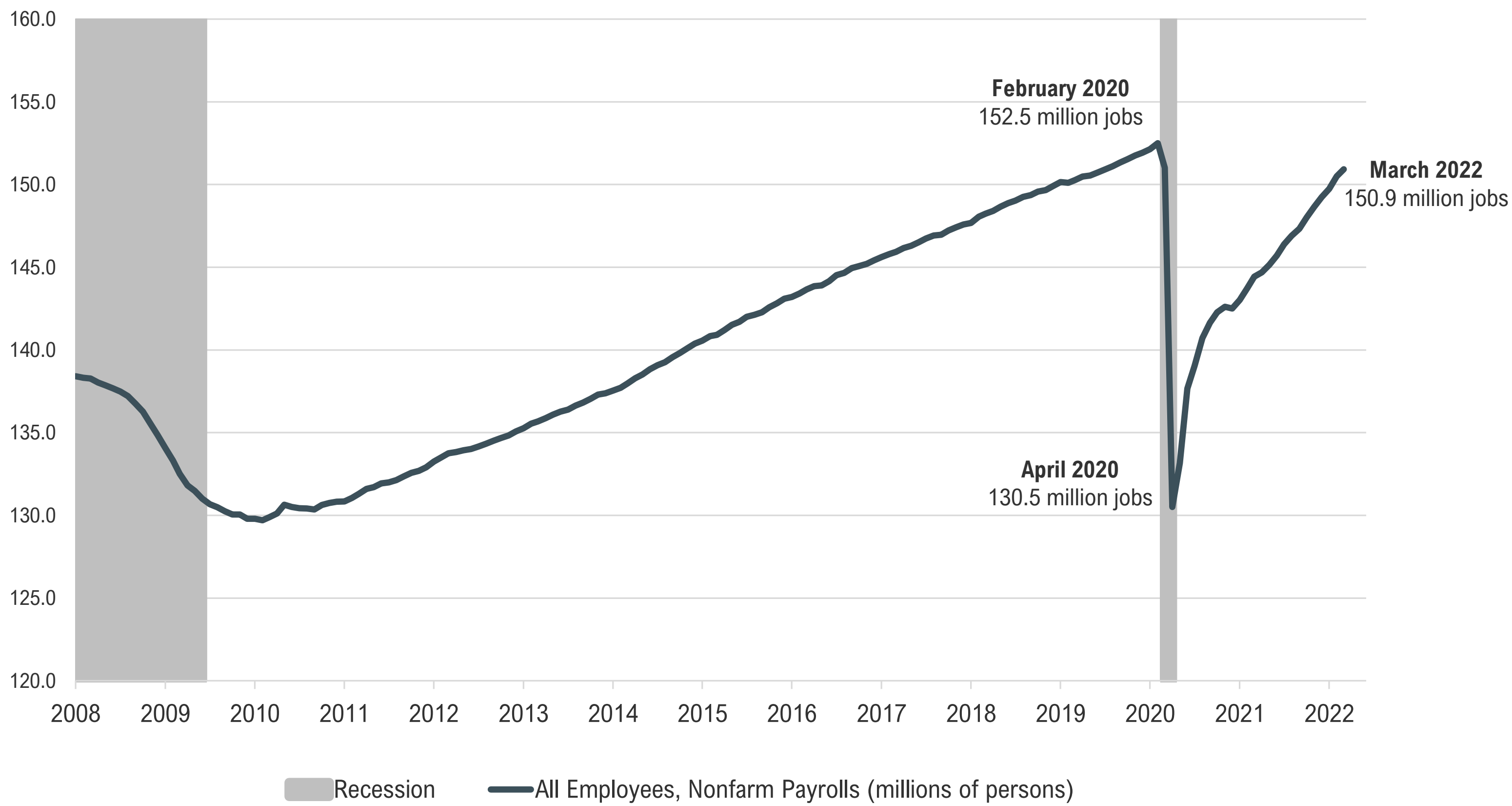
- Central banks pumped trillions of dollars of liquidity into financial markets during the past two years, but have pivoted toward tightening with the Fed likely to begin reducing the size of its balance sheet
  - The chart below illustrates the size of the Federal Reserve's balance sheet (measured in trillions)



Source: Federal Reserve Bank of St. Louis, Economic Research Division as of April 30, 2022.

Market Backdrop
US Labor Market

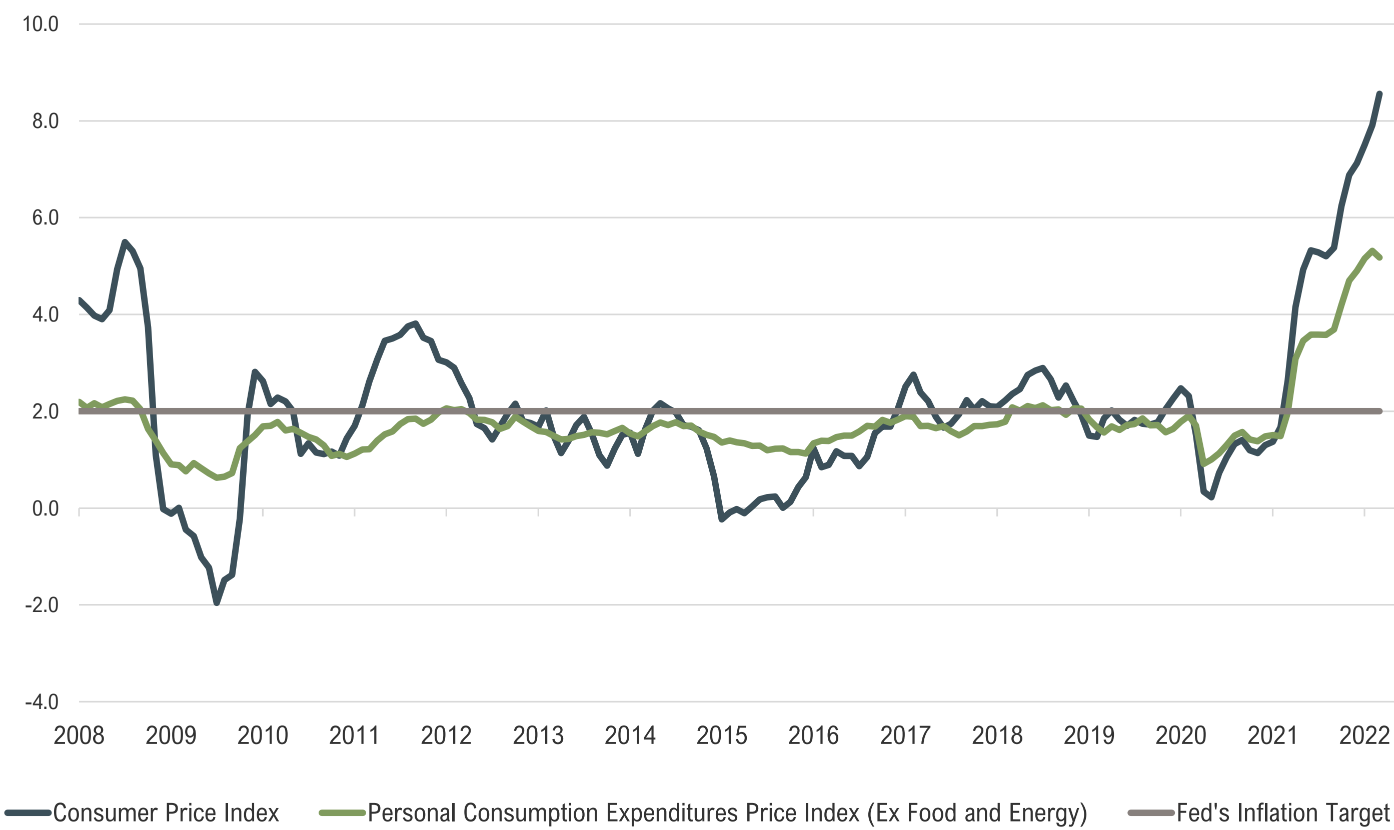
- After the steepest downturn for the US labor market since the Great Depression, over 90% of the jobs lost in March/April 2020 have been recovered
  - The chart below plots the total nonfarm payroll employment in the United States



Source: Federal Reserve Bank of St. Louis, Economic Research Division, U.S. Bureau of Labor Statistics as of March 31, 2022.

Market Backdrop
US Inflation

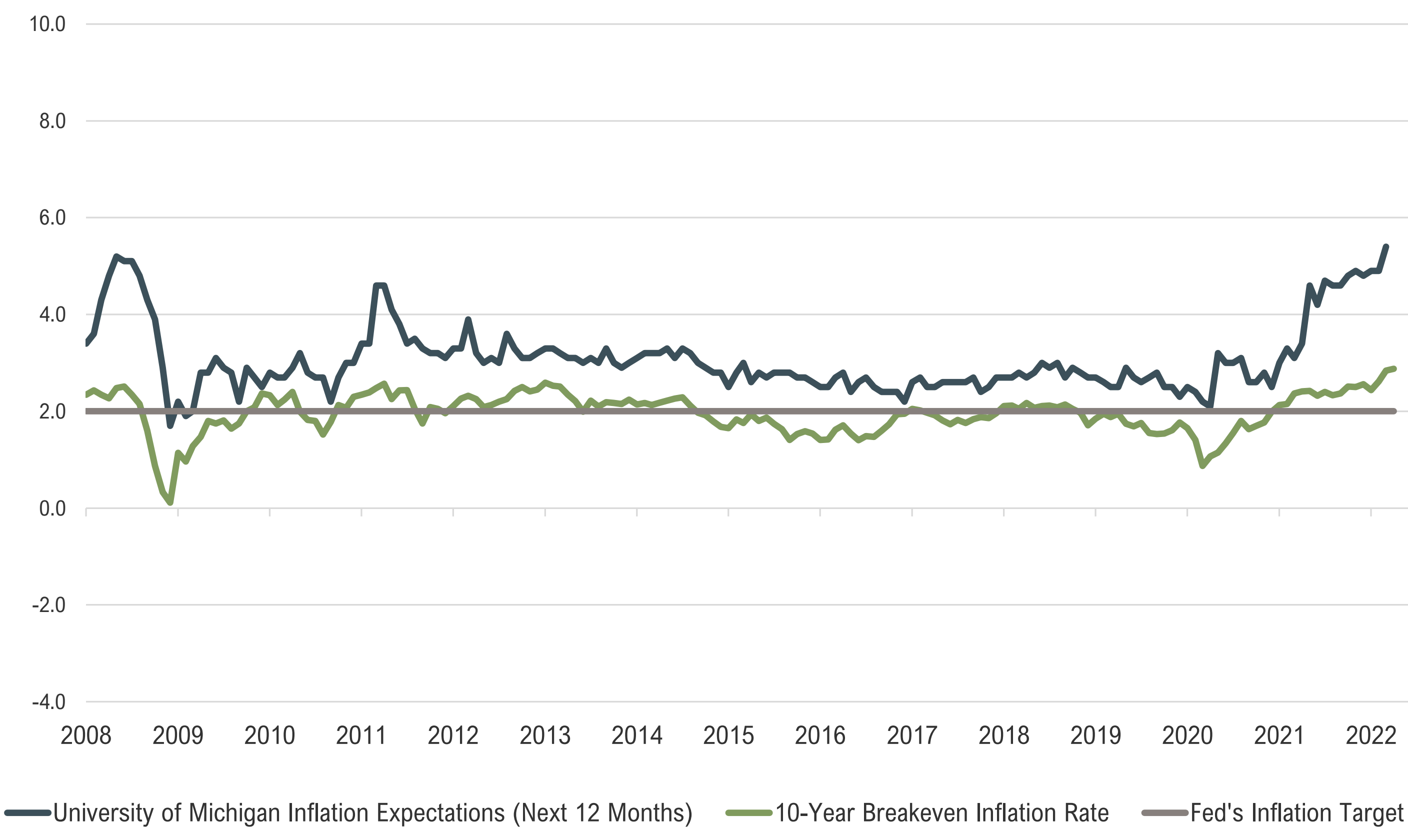
- Supply disruptions due to COVID-19 and labor market constraints have sustained inflationary pressures
  - The chart below plots the year over year change in the Consumer Price Index (CPI) and the Personal Consumption Expenditures (PCE) Price Index excluding food and energy compared to the Fed's long-term inflation target of 2%



Source: Federal Reserve Bank of St. Louis, Economic Research Division, U.S. Bureau of Labor Statistics. CPI data as of March 31, 2022 and PCE data as of March 31, 2022.

Market Backdrop
US Inflation Expectations

- Inflation expectations among US consumers have reached their highest level since 2008
  - The chart below plots two measures of inflation expectations based on the University of Michigan's survey of consumers and the 10-Year Breakeven Inflation Rate compared to the Fed's long-term inflation target of 2%



Source: Federal Reserve Bank of St. Louis, Economic Research Division, U.S. Bureau of Labor Statistics. The University of Michigan Inflation Expectations survey of consumers presents the median expected price changes for the next 12 months, based on data as of March 31, 2022. The 10-Year Breakeven Rate measures the difference or gap between 10-Year Treasury Bond and Treasury Inflation Protected Securities (TIPS), based on data as of April 30, 2022. The 10-Year Breakeven Rate serves as an indication of the markets' inflation expectations over the 10-year horizon.

Market Outlook
Economic Scenarios

- The table below summarizes three scenarios designed to characterize a broad range of potential outcomes for the global macroeconomic backdrop and capital markets over the next few years
  – We refer to these scenarios as the base, bull, and bear cases

Scenario	Probability	Description
Base Case	60%	▪ The Fed successfully enacts policies designed to stabilize and then reduce inflation ▪ Any potential recession in the next three years comes later in that window, is brief, and shallow given the strength in corporate and consumer balance sheets ▪ COVID fades, especially in China, which begins to reopen again helping both global demand and supply
Bull Case	15%	▪ Inflation eases ahead of expectations with a surprise slack in the labor market due to an increase in labor participation and advancements in productivity, despite any deglobalization ▪ The war in Ukraine resolves to a smaller regional issue with limited gains for Russia ▪ No recession
Bear Case	25%	▪ Inflation spirals out of control, and the Fed swiftly ramps up policy tightening with less regard to current growth ▪ Consumers and producers respond by curtailing consumption and investment ahead of yet further inflation and Fed tightening ▪ COVID continues to remerge in pockets around the global ▪ A global recession emerges and lasts for approximately one year

Note: Based on research and opinion provided by Greycourt & Co. as of April 2022. Probability weights shown are averages across markets.

Market Outlook
Summary Macro Views

- It's been an unusual cycle—and a wide range of potential outcomes still exists
  - Multiple sources of uncertainty (inflation, monetary policy, and geopolitics) suggest market volatility may remain elevated

- The economic outlook is mixed, but near-term (next 12 months) recession risk appears relatively low
  - The US economy seems well-positioned to withstand higher interest rates and diminishing fiscal stimulus, given healthy consumer and corporate balances, record low unemployment, and record high corporate profit margins
  - While indicators of consumer confidence have been declining, consumption has remained strong, particularly on services and travel that were constrained under the pandemic

- Base case of continued economic recovery (albeit slower) and some gradual normalization of supply-demand imbalances should support corporate earnings and, therefore, risk assets
  - Earnings growth is likely to remain solid, but rising interest rates and high policy uncertainty may continue to weigh on equity valuations

- Uncertainty about inflation and monetary policy remain key risks
  - Monetary policy is becoming less accommodative as central banks move towards normalization—but policymakers will have to strike a delicate balance between keeping a lid on inflation expectations and over-tightening financial conditions
  - Of course, reduced monetary accommodation can impact aggregate levels of demand but cannot directly address supply chain bottlenecks
  - While inflation rates are likely to moderate over the next 12 months, supply-side pressures are likely to keep inflation elevated for some time
  - In addition, the combination of greater policy experimentation and "peak globalization" trends pose a longer-term inflation risk

Note: Opinions above based on research as of April 2022. Please see our disclosures at the end of this document.

Market Outlook
Capital Market Assumptions and Tactical Views

	10-Year Trailing Return	10-Year Strategic Return Assumption	3-Year Tactical Return Assumption	Current Tactical Views: Strong Underweight	Underweight	Neutral	Overweight	Strong Overweight
Inflation	2.3%	2.2%						
Cash								
Cash	0.6%	0.6%					■	
Fixed Income								
US Investment Grade Bonds	2.2%	1.8%			■			
Non-US Investment Grade Bonds	-0.2%	2.2%			■			
Tax-Free Municipal Bonds	2.9%	1.2%			■			
High Yield/Bank Loans	5.1%	4.6%				■		
Equities (Public & Private)								
US Large Cap	14.6%	6.3%	3.9%		■			
US Small Cap	11.0%	7.6%	4.6%			■		
Non-US Developed Markets	6.8%	6.9%	4.3%			■		
Emerging Markets	3.7%	8.7%	4.5%			■		
Private Equity		10.0%						
Real Assets (Public & Private)								
Commodities	-0.7%	4.4%					■	
Public Real Estate (Core)	10.3%	6.2%		■				
Private Real Estate (Opportunistic)		8.3%						
Flexible/Alternative Strategies								
Diversifying Hedge	3.9%	5.0%					■	

Note: Based on research and opinion provided by Greycourt & Co. as of April 2022. Trailing returns shown as of March 31, 2022. Inflation based on the Consumer Price Index (CPI). Tactical views reflect a three-year investment horizon. Suggested asset class weights are influenced by Greycourt's detailed quarterly tactical analysis and are used as a starting point in assessing client portfolio weights against strategic targets which typically reflect a ten-year investing horizon. Past performance is no guarantee of future results. Please see the disclosure pages at the end of this presentation.

Market Outlook
Portfolio Positioning Themes

- Don't tilt too far away from an appropriate strategic asset mix
  - Proper diversification is as important as ever—aim to position for a range of outcomes
- Continue to target an underweight position to core/investment grade fixed income, but add to municipal bonds given recent weakness and more attractive yields
  - While rising interest rates still pose a risk to high quality bonds, tax-equivalent yields on municipal bonds are relatively attractive
  - In our view, Treasury Inflation Protected Securities (TIPS) and select high yield credit strategies continue to warrant an allocation
- Maintain a slight underweight position in US large cap equities while emphasizing high quality stocks and more reasonably priced international and emerging markets
  - We continue to prefer a tilt towards higher quality companies, those with strong balance sheets, stable earnings and high margins
  - Non-US stocks stand to benefit from more attractive valuations and recent weakness presents an opportunity to add to emerging markets
- Target an overweight position to real assets given the risk of sustained higher inflation
  - Commodities and commodity-producer equities can help hedge against surprise increases in inflation while providing potential capital appreciation in a higher growth environment
- Maintain an overweight position to certain diversifying and credit-oriented alternative strategies
  - We believe the investment case remains compelling given macro uncertainty and still-elevated valuations across traditional investments

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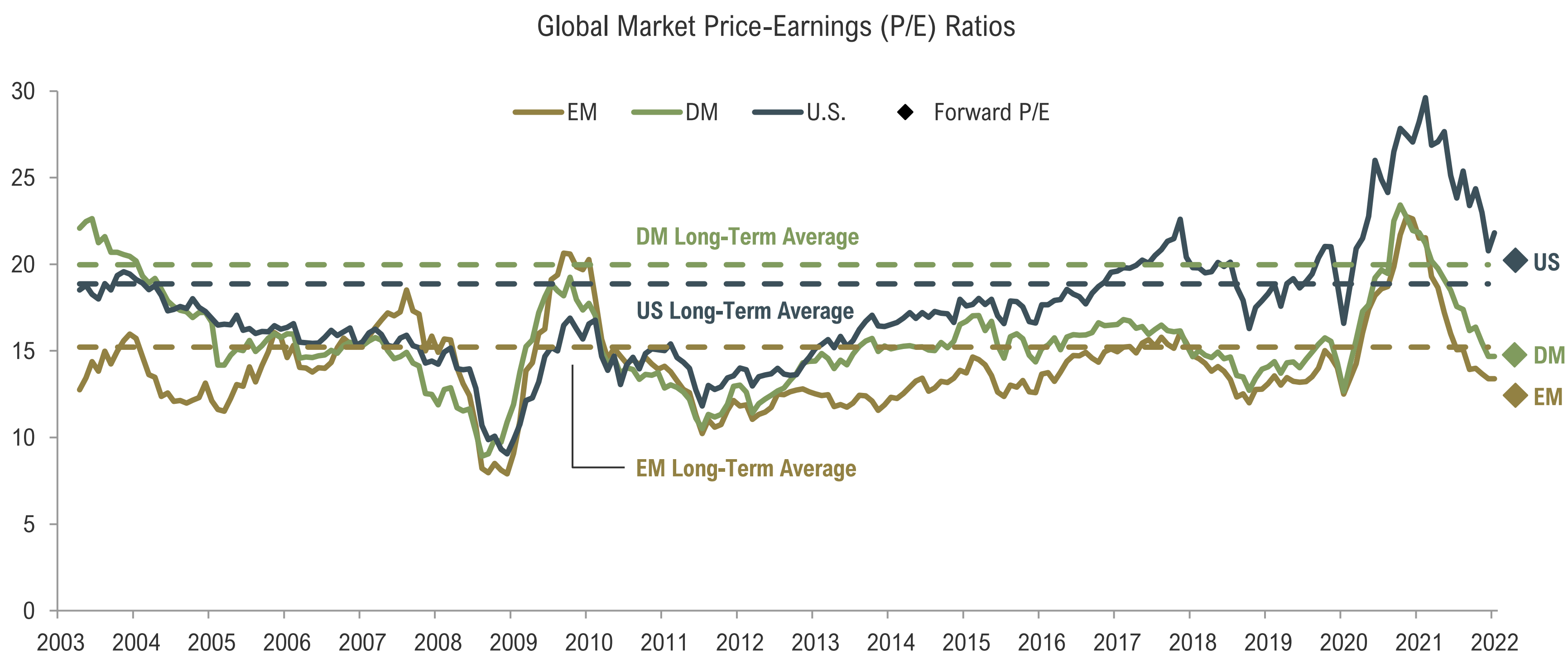
Market Outlook
Equity Valuations

- The broad equity sell-off caused valuations for all categories of global stocks to decline while earnings growth moderated from the decade-high rates registered during the earnings recovery in 2021
  - The price-to-earnings (P/E) ratios for both international developed and emerging markets stocks are below their long-term averages, while the U.S. remains above its average
  - The chart below plots both the price-to-earnings ratios for U.S., international developed markets, and emerging markets

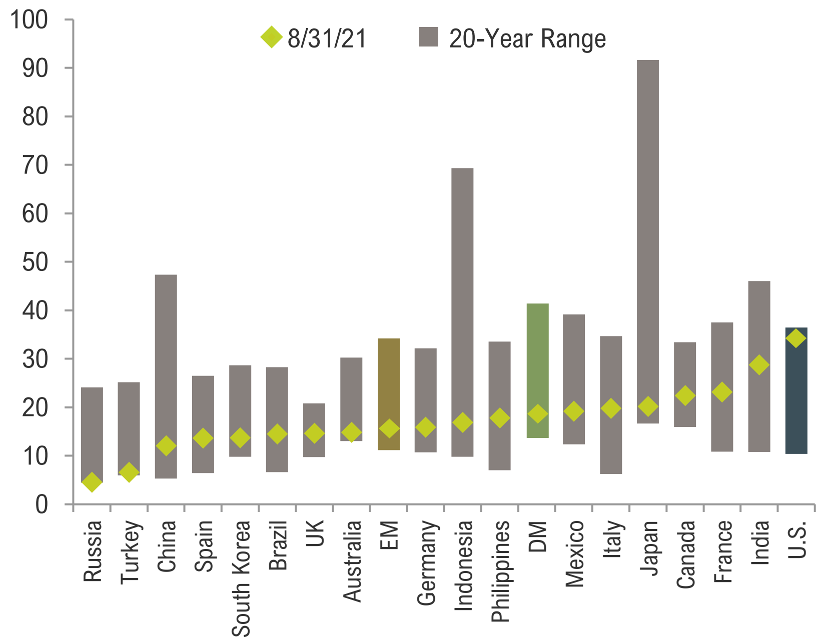


Source: Fidelity Investments and Bloomberg as of March 31, 2022. International Developed Markets (DM – MSCI EAFE Index), U.S. (S&P 500 Index) and Emerging Markets (EM – MSCI Emerging Markets Index). Long-term average P/Es include data from September 30, 1995 through June 30, 2021. Price-to-earnings ratio (P/E) is the stock price divided by earnings per share.

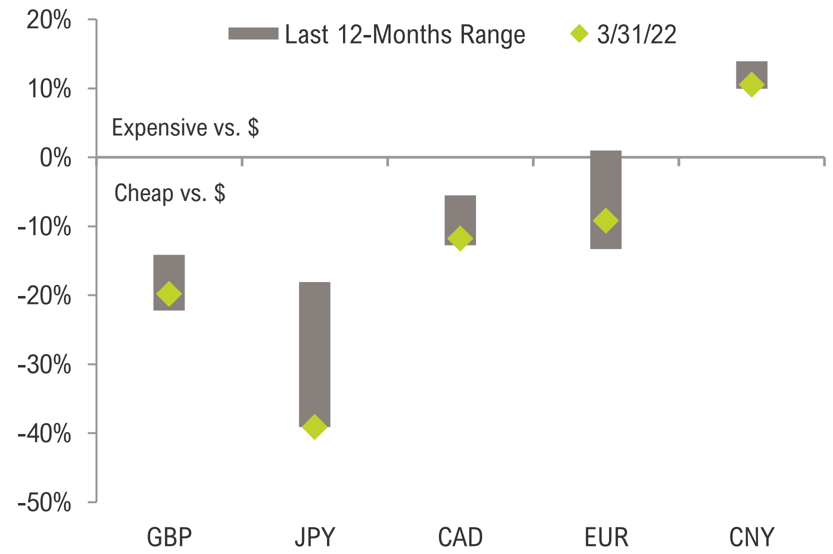
Market Outlook
Non-US Assets Relatively Attractive

- Cyclically adjusted P/E (CAPE) ratios for non-US equities remain below US valuations, indicating an attractive long-term backdrop for non-US stocks
  - The US dollar rose against most major developed-market currencies thus far in 2022, and the valuation of the dollar's real exchange rate remains expensive, providing a favorable long-term backdrop for non-US assets and currencies
  - The below charts illustrate CAPE ratios by country and geography relative to their 20-year range, and valuation of major currencies versus the US dollar over the trailing twelve months

Cyclically Adjusted P/Es (Shiller CAPE)



Valuation of Major Currencies vs. USD
(Real Exchange Rates)

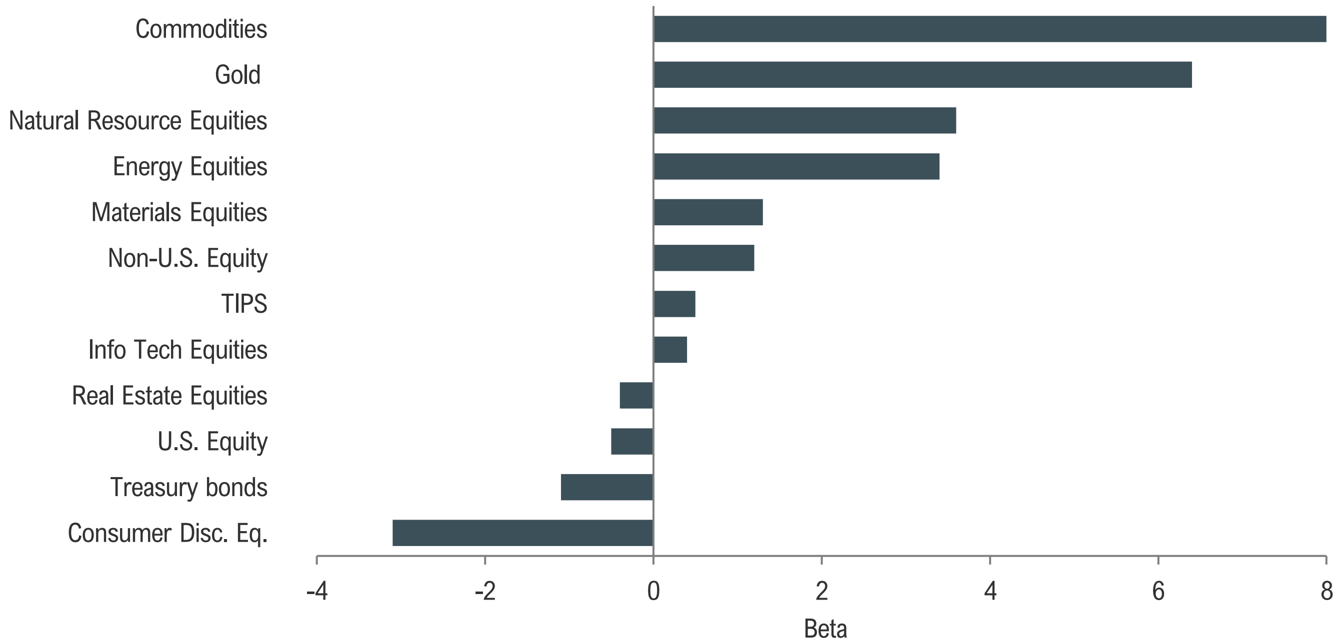


Source: LEFT - Fidelity Investments, FactSet, and Haver Analytics as of February 28, 2022. Price-to-earnings ratio (P/E) is the stock price divided by earnings per share. Cyclically adjusted earnings are 10-years averages adjusted for inflation. RIGHT – Fidelity Investments, Federal Reserve Board, and Haver Analytics as of March 31, 2022. GBP (British Pound), JPY (Japanese Yen), CAD (Canadian dollar), EUR (euro), CNY (Chinese yuan).

Market Outlook
Inflation-Sensitive Assets

- The potential for a period of sustained higher inflation represents a risk factor for a diversified portfolio
  - Inflation-resistant assets, including commodities and commodity-producer equities, can help hedge against surprise increases in inflation while providing potential for capital appreciation in a higher nominal-growth environment
  - In fixed income, inflation-hedging assets such as TIPS have provided better diversification than Treasury bonds
  - The chart below illustrates the historical return sensitivity (or beta) of certain asset classes (based on index proxies) to inflation surprises

Historical Return Sensitivity to Inflation Surprises (1972 - 2022)



Source: Bureau of Labor Statistics, Fidelity Investments, data from January 1, 1972 through February 28, 2022. Past performance is no guarantee of future results. Inflation sensitivity measured relative to CPI, an index that tracks the percentage change in the price of a specified "basket" of consumer goods and services. Beta is a measure of a variable's sensitivity (response) relative to changes (volatility) in a reference (benchmark), which has a beta of 1.

Appendix

Appendix
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